

April 22, 2014

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Chairman's Remarks - Fiscal Year 2015 Budget Mark-Up

Fiscal Year 2015 Advertised Budget Mark-up *The Long and Winding Road*

Every budget has its own “personality”. When thinking about a name for difficult Fiscal Year 2015, the mournful Beatles song *The Long and Winding Road* comes to mind.

It has indeed been a long and winding road as our nation, region, and County have struggled throughout these sluggish post-recession years. The good news this year is that real estate values are beginning to rebound. The bad news is that only residential values are rising; business taxes are flat and commercial assessments are a 0.1% decrease from Fiscal Year 2014.

Combine this with an increase in our Fairfax County Public School student population; increased needs for human services; and stressed-out County employees who have endured pretty much stagnant compensation for the past five years, and we end up with a pretty challenging budget brew.

The Mark-up Package that I am about to move is the result of much hard work by my colleagues, our County staff and our Fairfax County community. It is not a “great news” package, but I think that it is **responsible and responsive** to the needs of our community and to the uncertain fiscal climate we are operating in. It also includes several items that are meant to help stimulate recovery in the County's commercial sector.

This package **increases the tax rate from \$1.085 to \$1.090, a relatively modest ½ cent.** It represents a \$25 annual increase in the average residential taxpayer's bill. This would be on top of a \$332 average increase resulting from rising assessment values.

This additional revenue (\$10.9 million) combined with \$6 million in savings achieved on the General County side of the budget is used to increase the **School Transfer by \$17 million, from 2% in the Advertised Budget to 3%.**

With this added percent the total *increase* in the School Transfer will be \$51.5 million. An expected increase in State funding of approximately \$30 million will help to fund additional School requirements.

An additional \$10.5 million in savings/reductions are taken from the General County side of the Advertised Budget and reallocated to **increase compensation for employees**. In this package the advertised **Market Rate Adjustment of 1.29% is combined with an additional 1% for general County employees**.

Step increases for Public Safety employees will resume for everyone who is eligible (on their anniversary date) at the beginning of the Fiscal Year on July 1st.

This package is *not* balanced by drawing down one-time reserves, thus avoiding the creation of a structural imbalance that would make it more difficult to meet our fiscal needs in future years.

With that, Madam Chairman, I will move approval of the separate motions for the *FY 2014 Third Quarter Review* and the *FY 2015 Mark-Up* and *FY 2016 Budget Plan Recommendations*.

Approval of the FY 2014 Third Quarter Review

I move approval of the *FY 2014 Third Quarter Review* including approval of Supplemental Appropriation Resolution AS 14171 and Amendment to the Fiscal Planning Resolution AS 14901 which includes the revenue, expenditure and transfer adjustments, grant awards and adjustments, and associated reserve adjustments contained in the County and School's Third Quarter Review as presented on March 4, 2014, as well as the subsequent adjustments to FY 2014 revenue estimates presented to the Board on April 1, 2014, resulting in FY 2014 revenue estimates of \$3.574 billion and an available balance of \$0. Included in this motion is approval of Supplemental Appropriation Resolution AS 13346 which reflects final FY 2013 audit adjustments.

FY 2015 Budget Mark-Up with FY 2016 Budget
Recommendations

I will next outline and move approval of the budget proposal:

We start the package with no additional resources in FY 2015 although the County Executive’s budget forecasted the Board would have a balance of \$10.6 million. However, this did not materialize as we are still dealing with constrained revenue growth as a result of the weakened economy and uncertainty about the federal budget. A corresponding decrease in FY 2016 revenues is anticipated. This proposal also includes School Capital funding support in FY 2016 of \$13.1 million as approved by the Board of Supervisors in its adoption of the Infrastructure Financing Committee report.

	FY 2015	FY 2016
FY 2015 Advertised Balance	\$10,640,747	\$13,730,828
Add-On Adjustments		
Revenue	(\$10,640,747)	(\$10,872,381)
Capital Funding for Schools	\$0	(\$13,100,000)
Subtotal:	(\$10,640,747)	(\$23,972,381)
Balance as of Add-On	\$0	(\$10,241,553)

This package includes an increase in the Real Estate tax rate of a half-cent from \$1.085 to \$1.090 per \$100 of assessed value. This provides an additional \$10.9 million and impacts the homeowner with an additional \$25 annually in average tax. In total, along with the FY 2015 increase based on equalization, the average annual tax bill for County homeowners increases by approximately \$357.

	FY 2015	FY 2016
<i>Real Estate Tax Rate Increase:</i>		
Increase of Real Estate Tax Rate from \$1.085 to \$1.090	\$10,932,419 R	\$10,932,419

I then looked very closely at the County budget for reductions, taking suggestions from Board members and the public. As a result, I am recommending reductions totaling \$16.5 million. I believe that these reductions are possible and still preserve the important programs that were recommended by the County Executive in his budget and that we heard support for during the testimony from the community.

	FY 2015		FY 2016
<i>Additional decisions designed to provide flexibility:</i>			
Eliminate Initiatives to Improve Customer Experience	\$300,000	R	\$300,000
Reduce Fire and Rescue Large Apparatus and Ambulance Replacement	\$1,000,000	R	\$1,000,000
Reduce Capital Renewal Paydown	\$5,300,000	R	\$5,300,000
Reduce Information Technology Projects	\$3,607,500	R	\$3,607,500
Eliminate PC Replacement Increase	\$708,500	R	\$708,500
Reduce - Contributories/Inova Translational Medicine (leaves \$500,000 in FY 2015 and \$1.1 million in FY 2016)	\$600,000	NR	\$0
<i>It is important to invest in economic development activities in the County. This adjustment is based on the timing of the multi-year implementation of the Translational Medicine Institute. Other economic investments, such as the Economic Development Core Team, are critical to position the County to take advantage of opportunities as they relate to new businesses and new commercial sectors in the changing economic environment.</i>			
Eliminate 1 of 3 proposed Purchasing positions	\$103,290	R	\$103,290
Eliminate - Contributories/Fairfax Partnership for Youth	\$40,350	R	\$40,350
SACC Fee Increase totaling approximately 5%	\$900,000	R	\$900,000

	FY 2015		FY 2016
Eliminate funding for Environmental Projects and identify funding to replace at Carryover	\$535,000	R	\$535,000
Reduce Estimated Health Insurance Premium Increase from 8% to 6%	\$872,357	R	\$872,357
SACC Expenditure Savings	\$100,000	R	\$100,000
Eliminate additional funding for Employee Development/Certifications	\$400,000	R	\$400,000
Assumption of Savings from the FY 2015 Incentive Reinvestment Initiative	\$1,200,000	R	\$1,200,000
Revised opening of Merrifield Human Services Center to December, 2014 based on construction schedule	\$400,000	NR	\$0
Revised opening of Providence Community Center to January, 2015 based on construction schedule. In addition staff will utilize existing transit options rather than purchasing a vehicle.	\$455,000	NR	\$0
Eliminate proposed increases to Athletic Services Fee. This will result in \$368,000 less for Turf Field replacement.	\$0	R	\$0
Subtotal:	\$16,521,997		\$15,066,997

This package includes an increase in the School Operating transfer of 1% over the Advertised budget, for a total of a 3% increase in funding from the County. It also assumes an increase of 3% to the School Operating transfer in FY 2016 for the School Board and the Superintendent as they start planning for the costs in FY 2016 associated with enrollment growth and employee compensation. While a 1% increase in FY 2015 does not fully meet the School Board's request, with the combination of the 3% increase that the County will be providing now and the approximate \$30 million in funding anticipated from the state, the remaining gap is much more manageable.

Additionally, I encourage the school board and staff to review opportunities for savings, including salary lapse, and tailored pay increases for teachers.

The Board remains committed to our County workforce and this package includes additional pay for all County employees over the 1.29% included in the Advertised budget, including an additional 1.00% for general County employees, merit increases for uniformed public safety employees on their anniversary dates effective July 1, and an acceleration in the reduction in the employee contribution rate for Police retirement.

I believe further work is required in the area of compensation. We look forward to the recommendations from the compensation working group concerning a structure for general County employee pay increases and also focus our attention on addressing recruitment issues within public safety.

	FY 2015		FY 2016
<i>Funding Adjustments Recommended by Board:</i>			
Increase Operating transfer to FCPS by 1% to 3% in FY 2015	(\$17,169,887)	R	(\$17,513,285)
Increase Operating transfer to FCPS by 1% to 3% in FY 2016	\$0	R	(\$17,684,984)
Accelerate reduction in employee contribution rate for Police Retirement (completing shift from 10% to 8.65%) which was included in the FY 2016 budget plan	(\$608,461)	NR	\$0
Provide 1% across-the-board increase for Non-Uniformed General County Employees (and adjust scale)	(\$6,482,968)	R	(\$6,482,968)
Fund Merit Increments for Uniformed Public Safety in FY 2015	(\$3,663,528)	R	(\$7,029,778)
Fund Merit Increments for Uniformed Public Safety in FY 2016	\$0	R	(\$3,929,344)
Managed Reserve/Revenue Stabilization	\$470,428		(\$768,559)
Subtotal:	(\$27,454,416)		(\$53,408,918)

As a result of these changes, we have a balanced FY 2015 budget. There continues to be a projected shortfall as we look ahead to FY 2016. I believe that closing this shortfall should be manageable given that the projected \$37.7 million deficit is approximately 1% of the County’s total General Fund budget.

	FY 2015	FY 2016
Final Remaining Balance/(Shortfall)	\$0	(\$37,651,055)

In addition, this budget includes other tax and fee adjustments, including:

- An increase in Sewer Service Charges to \$6.62 per 1,000 gallons. This is an increase from the FY 2014 service charge of \$6.55 per 1,000 gallons.
- An increase in the Sewer Service Base Charge from \$12.79 per quarter to \$15.86 per quarter.
- An increase in Animal Shelter adoption fees for cats from \$30 to a range of \$50 to \$125 depending on age, adoption fees for dogs from \$40 to a range of \$100 to \$175 depending on age, and boarding fees from \$10 to \$15 per day.
- An increase in the Stormwater Services district tax rate from \$0.020 to \$0.0225 per \$100 of assessed value.
- An increase in the tax rate for the McLean Community Center tax district (Dranesville) from \$0.022 to \$0.023 per \$100 of assessed value, as recommended by the McLean Community Center Governing Board.
- An increase in EMS Transport Fees as follows:
 - i. Basic Life Support transport from \$400 to \$500
 - ii. Advanced Life Support, level 1 transport, from \$500 to \$650
 - iii. Advanced Life Support, level 2 transport, from \$675 to \$800

- iv. Charge for ground transport mileage from \$10.00 to 12.00 per mile.
- Additionally, the Tysons Service District tax rate is maintained at \$0.040 per \$100 of assessed value.

Other fee adjustments included in the budget proposal are increases to School-Age Child Care (SACC) fees and refuse disposal rates.

Therefore, having provided public notice and conducted a public hearing as required by Virginia law, **I move approval of the FY 2015 Budget as Advertised, with the changes I just summarized**, advertised changes to other taxes and fees, and required Managed Reserve adjustments. The tax and fee increases become effective on and after July 1, 2014 unless otherwise noted. **These actions result in a balanced budget for FY 2015.**

Budget Guidance for FY 2015 and FY 2016 – April 22, 2014

At a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Fairfax County Government Center on Tuesday, April 22, 2014, the Board approved the following Budget Guidance for FY 2015 and FY 2016:

Fairfax County Public Schools Operating Support

The Board recognizes the fiscal pressure that rapidly increasing enrollment and rising compensation costs are placing on the Fairfax County Public Schools (FCPS). The reliance on one-time balances in recent years during the economic downturn has also created added challenges to meet school funding needs. The FCPS remain a top priority for the Board of Supervisors and as a result the Board supports a 3 percent increase for FY 2016 and directs that the County Executive include funding for 3 percent in his FY 2016 Advertised Budget.

In addition, the Board of Supervisors and the School Board, and their respective legislative staffs, should work together during the 2015 General Assembly session to identify opportunities for increasing State support for education in Fairfax County. The County Schools receive a much lower percentage of funding from the State than many other school districts. As enrollment growth continues and costs climb, it is more important than ever to ensure that the County is maximizing all available resources.

County and Schools Infrastructure Investment

Consistent with the recommendations of the Infrastructure Financing Committee and the Board action of March 25, 2014, the Board also directs that the County Executive include a County transfer of \$13.1 million to the School Construction Fund annually, beginning in FY 2016. This increase in the transfer is intended to fund Infrastructure Replacement and Upgrades projects and shall not affect in any way consideration of the County transfer to the School Operating Fund making this recommendation cost neutral to the Schools. FCPS has used an average of \$13.1 million in bond funding each

year for the past five years to meet what is now termed Infrastructure Replacement and Upgrades. The Committee has recommended that both the County and Schools limit the practice of funding Infrastructure Replacement and Upgrades through bond or proffer funding. This transfer will fund, through Pay-as-you-go funding, capital replacement and upgrade requirements and will free up general obligation bond funding for large replacement or new capacity requirements.

The County and Schools are each establishing an Infrastructure Replacement and Upgrades Capital Sinking Fund (the “Capital Sinking Fund”) as the new budgetary mechanism for funding of Infrastructure Replacement and Upgrades requirements. Infrastructure Replacement and Upgrades will be funded as the result of a joint commitment to devote a designated amount or percentage of carryover funds to the Capital Sinking Fund beginning with the *FY 2014 Carryover Review*. The Committee has suggested “ramping up” this commitment over three to five years until the Boards reach a funding level of 20 percent of the unencumbered Carryover balance of both the County and Schools budget not needed for critical requirements. Both Boards agree that the School Board may need additional time to reach this goal based on the need to address the School system’s current structural budget imbalance.

The Board of Supervisors has also established a goal of additional pay-as-you-go funding of approximately \$20 million annually beginning in FY 2018. A joint working group of County and school staff should engage in a comprehensive review of the condition of School and County facilities and recommend to the Board of Supervisors an appropriate formula for annually dividing the new approximately \$20 million in pay-as-you-go funding between Schools, County, and Parks.

Staff is also directed to use proffers for one-time expenditures and new funding sources, whether currently available or through legislative action, to meet Capital Improvement Program (CIP) requirements.

Board approval of the recommendations of the Infrastructure Financing Committee and its follow-on directives shall be effective only upon the parallel approval of the report and recommendations by the School Board.

Employee Compensation

The topic of Employee Compensation for general County employees has been under review for over a year with employees participating in education sessions, focus group discussions and a comprehensive pay survey. The current working group of Board members, representatives of employee groups and County staff has been tasked with recommending a pay structure for general County employees. The recommendation is to be provided to the full Board at a Personnel Committee in September so that it can be reviewed and direction given to the County Executive for development of the FY 2016 budget, at the same time that updated budget projections will be available. The Board appreciates that employees have continued to provide quality services to our residents with professionalism and dedication, even in the face of pay freezes and tough economic times. The Board is pleased to be able to provide an increase of 2.29 percent for general County employees in FY 2015 and anticipates that for FY 2016 and beyond, the results of the current working group will be implemented.

To address issues in recruitment and retention for public safety agencies the Board will work with staff and outside resources as necessary. The work will include, but not be limited to, analysis of the current pay scale structures, pay scale adjustment methodology, internal versus external/market alignment, organizational/rank structure, hiring rates, certification and expertise stipends, and career progression. Any identifiable recruitment or retention challenges will also be reviewed as recommendations are identified for addressing those challenges. The analysis and recommendations should be provided by December 2014 so they can be considered during the development of the FY 2016 budget. To begin addressing public safety pay issues, merit increases are reinstated beginning in FY 2015.

Public Safety Staffing

The Board directs that the County Executive continue the planned implementation of the 5-year analysis of staffing requirements for all Public Safety departments in FY 2016. The plan outlined to the Board on April 1, 2014 should continue to be used as the means of identifying needs to the

Board and community and be updated as appropriate as projected growth and other metrics change.

Providence Community Center Transportation

The original operating plan for the Providence Community Center included the purchase of a vehicle to provide transportation to and from the center for youth and seniors not able to attend otherwise. Given the proximity of the center to a variety of transportation options, staff is directed to incorporate public transportation options within the programming framework for the center and to work with the Department of Transportation to develop and pilot a “youth ride free” program. The program will be initiated as soon as possible and should be evaluated to determine its impact on the participation patterns, any cost savings that have been generated or any barriers to participation that have arisen and a report provided to the Board of Supervisors 18 months after opening. If the lack of transportation to and from school for youth and community points of interest for seniors is impacted, staff may request funds during a subsequent budget review for the purchase and maintenance of an appropriate vehicle.

Disproportionality

The September 2012 release of the report “Disproportionate Minority Contact for African American and Hispanic Youth: The Story Behind the Numbers and the Path to Action” highlighted some of the key issues facing our County’s African American and Hispanic families that result in their over representation in our juvenile justice system. The County human services agencies, along with FCPS staff, have begun to identify key actions at the program and agency level but the report had a key finding: that “a common, cross-system vision promoting the well-being of youth and families and emphasizing collaborative work with families has not been fully developed and implemented.” Therefore, additional efforts must be focused on establishing County-wide policy direction that only can be provided by both boards collectively.

Collaboration between the FCPS and County agencies is important but they cannot be seen as separate initiatives. They must be coordinated as a part of a

County-wide effort to reduce disproportionate outcomes and are critical to addressing disparities in mental health, academic achievement, and other areas. These issues are all interrelated, and require us as policy makers to view all our policies through an “equity lens.” How can we ensure that we are considering the impacts on equity – equity of opportunity and equity of outcome – in our decisions?

Therefore, given the length of time since the report was released and the need to be responsive to the concerns raised in the report, the following should be undertaken expeditiously:

1. Direct staff to report progress and the existing strategy plan at a Joint meeting with the Fairfax County School Board and the Board of Supervisors; and
2. Urge the Fairfax County Board of Supervisors and the Fairfax County School Board to determine the cost, identify funding source(s), and seek an independent review of disproportionate and disparate impact outcomes for youth and families of color and other vulnerable youth in schools and the County Human Service agencies.

Behavioral Health Services

The expansion of Behavioral Health services included in the FY 2015 budget is an important step in meeting the critical needs in the community for services to youth and their families. Staff is directed to continue to develop specific implementation policies and programs and report to the Board at the first Human Services Committee in FY 2015. The report should identify opportunities for enhanced collaboration with the Fairfax County Public Schools, a clear explanation of the use of funds approved for the expansion, options for acceleration of future funding, and a report on the demand of services in FCPS and Fairfax County.

School-Age Child Care

We need to expand the School-Age Child Care Program (SACC). This program is critically important to many working families and its popularity is

a double-edged sword. While many families assume they cannot afford to enroll their children in the program because they are unaware of the sliding fee scale, many others find themselves on a long waiting list. At least fifteen elementary schools scattered throughout the County have waiting lists that range from 60 to 135 children. Board of Supervisors and School Board staff should work together immediately and prepare a budget request to expand SACC capacity at the five schools with waiting lists between 91 and 135 children. Staffs should also prepare a plan for future consideration to address capacity at the ten schools with waiting lists of 61 to 90 children. It is also very important to review the current fee schedule and add additional tiers between the current top tier of \$52,000 in adjusted household income and higher incomes. Currently, there is no difference between the fees paid by a family with an adjusted household income of \$52,000 and one with a higher income. Part of the increase in fees could be earmarked to handle critically needed expansions.

Successful Children and Youth

Both of our boards are committed to boosting achievement at our neediest schools yet some of our students are slipping through the cracks because of a lack of coordination among the various County and Schools initiatives designed to promote children's safety, health, and academic achievement.

As such, the Board should continue to support the Successful Children and Youth Policy Team (SCYPT) in working to revamp our approach to improving academics. With the Board's support, the committee would be able to work to develop a comprehensive plan that replaces piecemeal programming, develops better communication among organizations, and creates an overarching support infrastructure for children and youth.

We look forward to working with Superintendent Karen Garza and the School Board on efforts to improve student achievement in our high risk populations.

County and School Transportation

As Fairfax County communities change, there is a need to examine the role of bus service for schools and general County relative to how the community is

served best. A discussion addressing the synergy between the public transportation needs of the community and transportation needs of the school system could enlighten not only how the two organizations acquire vehicles, but how we more effectively and efficiently meet the transportation needs of an entire community.

The Board of Supervisors directs that staff analyze the FCPS and Fairfax County transportation departments in an effort to identify whether a common transportation organization may provide more efficient transportation services to both FCPS and Fairfax County, thus developing a comprehensive transportation service for all County transportation needs.

I now move the Budget Guidance that I just reviewed which will help direct the FY 2016 Budget process.

**Approval of the FY 2015-2019 Capital Improvement
Program (with future fiscal years to 2024)**

I move Board approval of the FY 2015-FY 2019 Capital Improvement Program (with future fiscal years to 2024) with the following amendments:

- Make all necessary adjustments to reflect actions taken during the Board's decision on the FY 2015 Adopted Budget Plan that impact the CIP, and
- Review the prioritization of the South County Police Station during the development of the FY 2016-2020 Capital Improvement Program.